

# **San Jose Medical Center Site Stakeholder Advisory Committee Meeting**

## **Introduction to Cornerstone and Review of CCRC Concept June 20, 2007**



# Discussion Agenda

- ▲ Introduction to Cornerstone Affiliates/ABHOW
- ▲ Introduction to Greystone
- ▲ What is a Continuing Care Retirement Community?
- ▲ Summary of Market Opportunity

# Background

- ▲ Cornerstone Affiliates and Greystone submitted a response to the Request for Qualifications for Business Terms for the redevelopment of the former SJMC site
- ▲ Identified a market opportunity for development of senior housing in the San Jose area.
- ▲ Proposed development of a not-for-profit CCRC consisting of:
  - 225 to 275 independent living apartments
  - 40 to 50 assisted living units
  - 15 to 20 memory support assisted living units
  - 35 to 45 skilled nursing beds

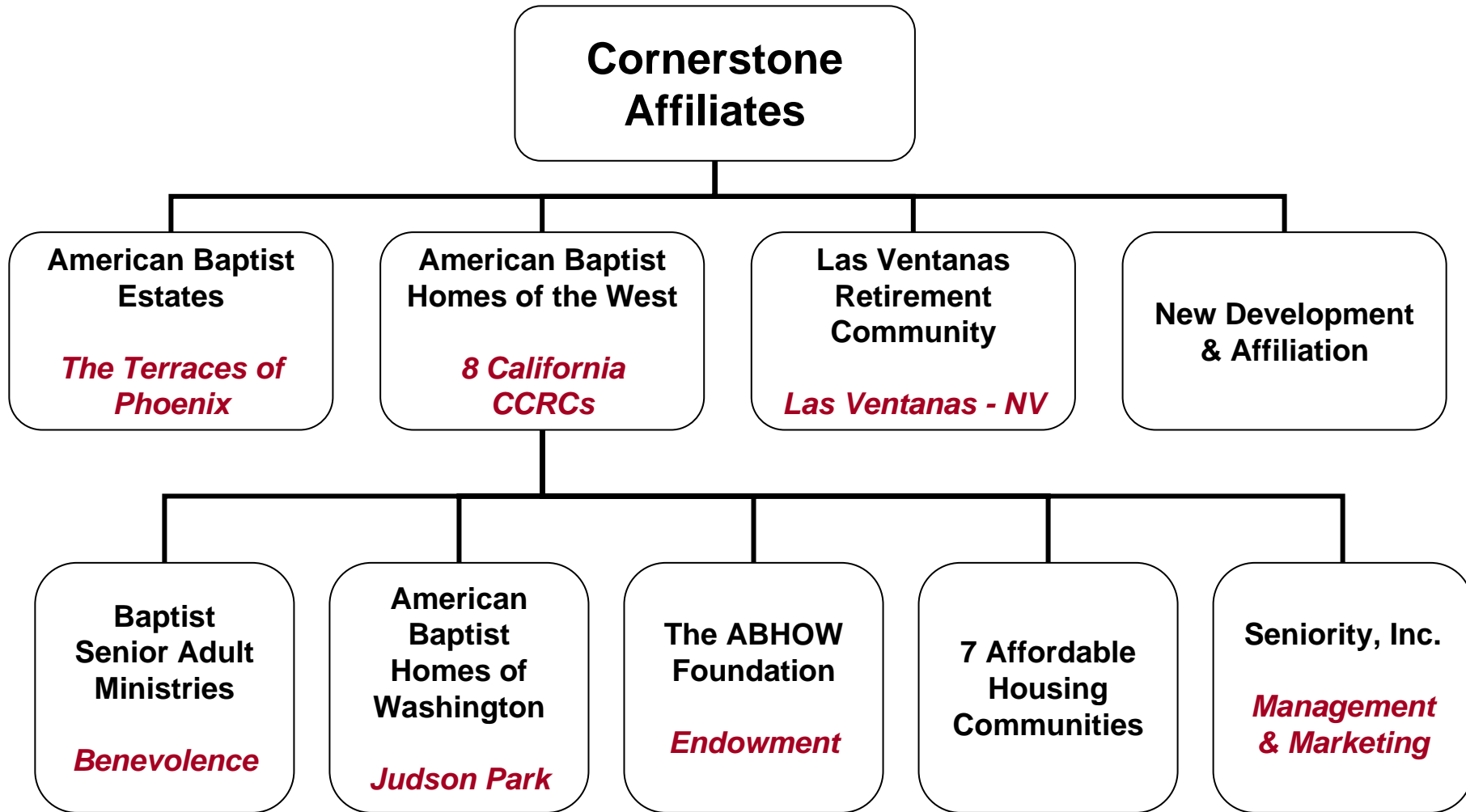
# Cornerstone Affiliates

## Background and History

- ▲ Not-for-profit, 501(c)(3) California public benefit corporation formed in 1999
- ▲ American Baptist Homes of the West, a wholly owned subsidiary was founded in 1949 in Los Altos, CA
- ▲ Headquartered in Pleasanton, CA
- ▲ Governed by a 15 member volunteer Board of Directors
- ▲ Operates more than 30 senior living communities in California, Arizona, Washington and Nevada
  - Twelve continuing care retirement communities
  - Two assisted living communities
  - Nineteen affordable housing communities
  - Nine communities accredited by the Continuing Care Accreditation Commission

# Cornerstone Affiliates

## Organizational Structure



# Cornerstone Affiliates

## Key Statistics

### ▲ Operate/manage 33 communities in four states

- 12 CCRCs, 2 Assisted Living Communities
  - 2,977 residents
  - 1,422 employees
- 19 Affordable Housing
  - 1,689 residents
  - 93 employees
- Home Office - 61 employees
- Seniority, Inc. – 83 employees

### ▲ Total Residents Served – 4,666

### ▲ Total Employees – 1,659

# American Baptist Homes of the West

## Mission Statement

***“American Baptist Homes of the West, as an expression of Christian mission, seeks to enhance the independence, well-being and security of older people through the provision of housing, health care and supportive services.”***

# Cornerstone/ABHOW CCRCs

- ▲ Grand Lake Gardens – Oakland, CA
- ▲ Las Ventanas – Summerlin, NV
- ▲ Piedmont Gardens – Oakland, CA
- ▲ Pilgrim Haven – Los Altos, CA
- ▲ Plymouth Village – Redlands, CA
- ▲ Rosewood – Bakersfield, CA
- ▲ San Joaquin Gardens – Fresno, CA
- ▲ Terraces of Los Gatos – Los Gatos, CA
- ▲ Terraces of Phoenix – Phoenix, AZ
- ▲ Valle Verde – Santa Barbara, CA



# American Baptist Homes of the West

## Selected Communities



**Piedmont Gardens**



**Broadmoor Plaza in San Leandro**



**San Joaquin Gardens**



**Terraces of Los Gatos**

# Greystone Background and Experience

- ▲ Senior management team with more than 25 years national industry experience leading a 230 person staff.
- ▲ Consulted with more than 400 not-for-profit owners and sponsors of senior living communities to develop an integrated continuum of care.
- ▲ Greystone has demonstrated success in:
  - Planning and developing new start-up and expansion communities;
  - Improving existing and turning around troubled communities;
  - Re-developing older communities; and
  - Marketing and managing on-going community operations.
- ▲ Responsibility for more than 95 senior living community (re)developments/ expansions involving more than \$5 billion in project costs. Budgets range from \$8 million to \$200+ million.

# Senior Housing Options

## ▲ Independent Living (Congregate Living)

- Provides residential accommodations with access to services such as housekeeping, dining and transportation

## ▲ Assisted Living

- Provide enhanced support to residents who need everyday assistance with bathing, eating, dressing and other routine activities, but not skilled nursing

## ▲ Memory Support Assisted Living

- Similar to assisted living facilities but specialize in caring for seniors afflicted with Alzheimer's disease and other cognitive impairments

## ▲ Skilled Nursing

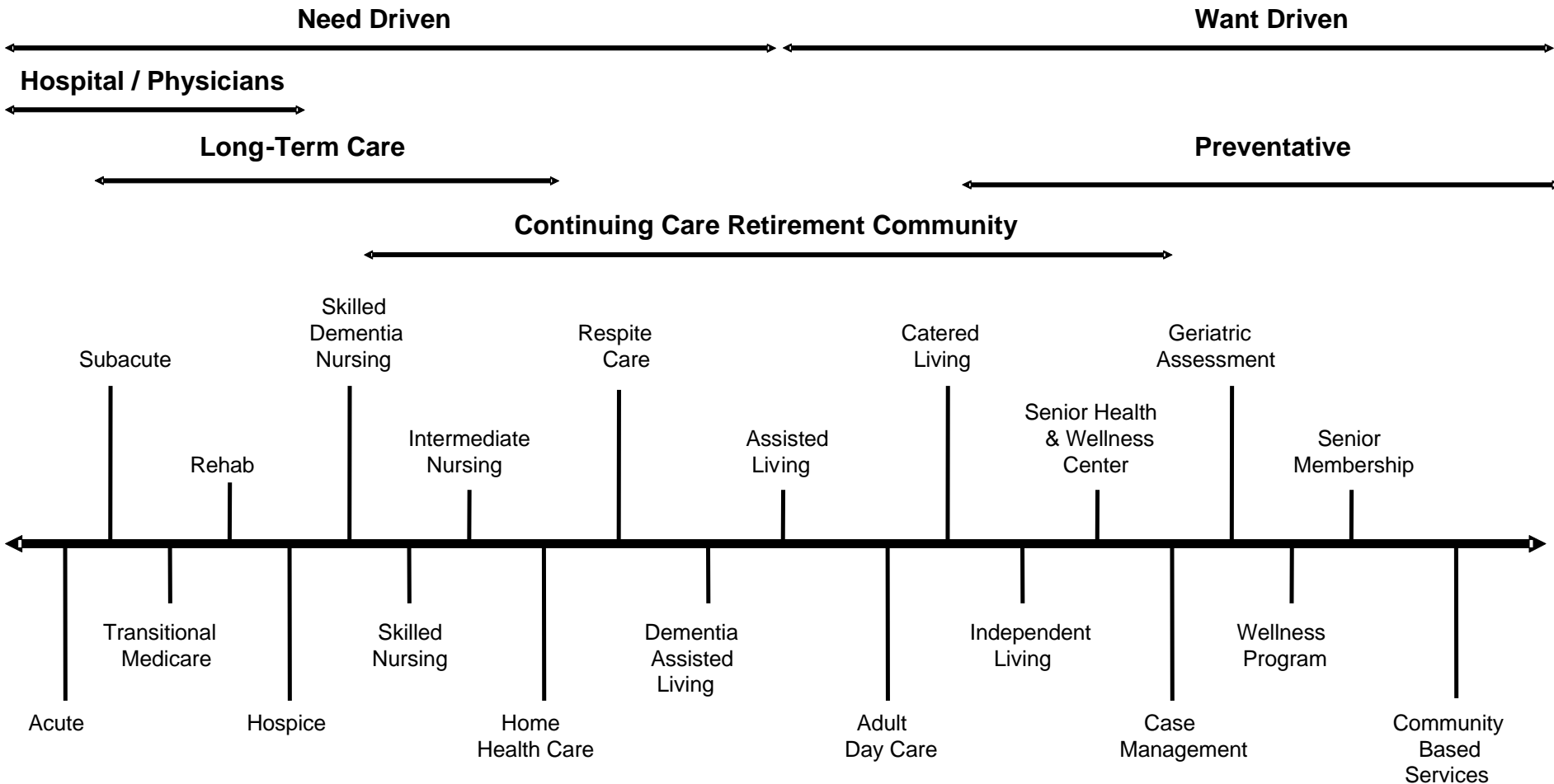
- Provide services to seniors who require long-term, 24-hour medical monitoring and attention

# What is a CCRC?

- ▲ Continuing Care Retirement Community (“CCRC”) contains three distinct levels of care:
  - Independent Living (*for fully active seniors*);
  - Assisted Living (*require help with certain limited activities, such as bathing, dressing*); and
  - Nursing (*comprehensive health care*).
- ▲ Continuum of care offered:
  - Satisfies residents’ life-long needs, enabling them to age in place; and
  - Provides residents with guaranteed access to health care (*peace of mind*).
- ▲ Resident deposits (*entrance fee*):
  - One-time “entrance fee” upon move in
    - Used to repay debt
    - Helps cover initial start-up deficits
    - Refundability depends on contract type; and
  - Monthly service fee to help pay for routine operating expenses.



# Continuum of Senior Services





# CCRC Benefits

## ▲ Superior senior living product:

- Allows aging in place (no disruptive moves);
- Larger unit sizes create “residential feel” ;
- Fulfills market demand for continuum of care;
- Pricing tailored to local market; and
- Stronger consumer acceptance of product.

## ▲ Strong business model

- Significant barriers to entry, limited competition;
- Risk management through pre-sales;
- Multiple revenue sources (income diversification); and
- Entrance fees provide strong liquidity and low debt burden.

# Why Entrance Fee?

## ▲ Lower risk

- Matches fee structure to customer economic characteristics - larger financially qualified market; and
- Allows for pre-sales to reduce market risk and fine tune product.

## ▲ Improved customer profile

- Attracts younger, more affluent senior; and
- Improves couples mix.

## ▲ Improved capital structure

- More financeable/better understood by industry leaders; and
- Provides funds for:
  - Working capital
  - Start-up cash flow deficits
  - Long-term debt reduction/pay down
  - Project liquidity.

# Primary Market Area Dot Density Map

## 6,800 Households Age 75+ With Incomes \$50,000+

